

Message Text

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ACTION EUR-12

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FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 1182
INFO ALL EC CAPITALS
AMEMBASSY PARIS
USMISSION GENEVA

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USEEC

PASS AGRICULTURE ELECTRONICALLY
PARIS ALSO FOR USOECD
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E.O. 11652: N/A
TAGS: EAGR, EEC
SUBJ: REFORM OF EC BEEF POLICY

REF: 76 EC A-117

1. THE EC COMMISSION IS ELABORATING ON A REPORT
CONSISTING OF RECOMMENDATIONS WHICH WOULD REFORM THE
INTERVENTION AND PREMIUM MEASURES OF ITS BEEF POLICY.
THE REPORT, REQUESTED BY THE EC COUNCIL OF AGRICULTURAL
MINISTERS IN MARCH 1976, WAS INITIATED IN AN EFFORT TO
COPE WITH MARKET AND PRODUCTION FLUCTUATIONS IN THE
BEEF SECTOR. HIGH BEEF PRICES HAVE BEEN OF GREAT
CONCERN AND IT IS FEARED THAT CURRENT PRICE LEVELS
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COULD DISCOURAGE BEEF CONSUMPTION AS WELL AS ENCOURAGE
MILK PRODUCTION.

2. THE COMMISSION REPORT HAS NOT YET BEEN APPROVED
DUE TO INTERNAL OBJECTIONS CONCERNING CERTAIN ASPECTS
OF THE RECOMMENDATIONS; HOWEVER, FURTHER DISCUSSIONS
AND FINAL APPROVAL ARE LIKELY IN THE FALL.

3. THE RECOMMENDED MEASURES, REPORTEDLY AIMED AT BRINGING ABOUT PRICE STABILIZATION AND A MORE FLEXIBLE INTERVENTION SYSTEM IN THE BEEF SECTOR, WOULD AFFECT CURRENT PROVISIONS FOR PRIVATE STORAGE, VARIABLE AND SLAUGHTER PREMIUMS, INTERVENTION PURCHASES, AND IMPORT LEVY ADJUSTMENTS TIED TO THE MARKET PRICE/GUIDE PRICE RELATIONSHIP. IMPLEMENTATION OF THESE MEASURES WOULD BE TRIGGERED BY MARKET PRICE LEVELS AS A PERCENT OF THE GUIDE PRICE. FOR EXAMPLE, IF BEEF MARKET PRICES WERE TO FALL BELOW 93 PERCENT OF THE GUIDE PRICE, IMPORT LEVIES WOULD INCREASE AND BEEF COULD BE PRIVATELY STORED WITH THE AID OF SUBSIDIES. VARIABLE AND SLAUGHTER PREMIUMS WOULD BE PAID IF PRICES WERE TO FALL BELOW 90 PERCENT OF THE GUIDE PRICE AND INTERVENTION PURCHASES WOULD BE MADE IF PRICES WERE TO FALL BELOW 85 PERCENT OF THE GUIDE PRICE. THE GRANTING OF PREMIUMS WOULD GUARANTEE PRODUCERS AN ADEQUATE INCOME, ENCOURAGE SPECIALIZATION INSTEAD OF COMBINING MILK AND BEEF PRODUCTION, AND REDUCE THE RANGE OF THE BEEF PRODUCTION CYCLE. THE RECOMMENDED SYSTEM WOULD OPERATE IN REVERSE BY REDUCING LEVIES WHEN MARKET PRICES RANGE FROM 100-104 PERCENT AND REDUCING TARIFFS (COUPLED WITH ZERO LEVIES) WHEN PRICES EXCEED 106 PERCENT OF THE GUIDE PRICE.

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4. CURRENTLY INTERVENTION PURCHASES ARE SUSPENDED WHEN MARKET PRICES EQUAL OR EXCEED 95 PERCENT OF THE GUIDE PRICE. IN ORDER TO PROVIDE FOR QUICKER ADJUSTMENT ONCE THE BEEF MARKET HAS BEGUN TO RECOVER, IT HAS BEEN RECOMMENDED THAT INTERVENTION PURCHASES BE SUSPENDED WHEN MARKET PRICES REACH 90 PERCENT OF THE GUIDE PRICE.

5. ALTHOUGH COMMISSION SOURCES HAVE TOLD MISSION THEY EXPECT APPROVAL OF REPORT IN FALL, PRESS REPORTS INDICATE THAT, AS A RESULT OF FRENCH INSISTENCE ON A LESS FLEXIBLE SCHEME, THE REPORT MAY BE SUBJECT TO SUBSTANTIAL ALTERATIONS BEFORE COMMISSION APPROVAL.
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